



## Federal Tax Incentives Provided by Small Business Jobs Act of 2010

By Christopher R. Grissom and William T. Thistle

On September 27, President Obama signed into law the “Small Business Jobs Act of 2010” (P.L. 111-240) (the “Small Business Jobs Act”), which includes a number of important tax incentives for businesses. The recently enacted Small Business Jobs Act includes a wide-ranging assortment of federal tax breaks and incentives for businesses. In addition, because most states largely conform to federal income tax provisions, many of these incentives will be available for state purposes as well.

While a handful of the tax provisions in the Small Business Jobs Act are effective on the day after the bill was signed or in 2011, the vast majority of them are effective retroactively and have an immediate impact on the 2010 tax year. Below is an overview of the tax changes in the Small Business Jobs Act.

**Enhanced Section 179 Deduction.** Under the old rules, taxpayers could generally expense (instead of depreciating) up to \$250,000 of qualifying property—generally, machinery, equipment and software—placed in service during a given tax year. However, this annual limit was reduced by the amount that the cost of the property placed in service exceeded \$800,000. For tax years beginning in 2010 and 2011, the Small Business Jobs Act increased the \$250,000 limit to \$500,000 and the investment limit from \$800,000 to \$2,000,000. In addition, for the first time ever, the Small Business Jobs Act makes certain real property eligible for expensing. Thus, for property placed in service in any tax year beginning in 2010 or 2011, the \$500,000 amount can include up to \$250,000 of qualified leasehold, restaurant, and retail improvement property.

**Extension of Bonus Depreciation.** Before the Small Business Jobs Act, Congress already allowed businesses to more rapidly deduct capital expenditures for most new tangible personal property placed in service in 2008 or 2009 by allowing taxpayers to deduct 50% of the cost of the property (“bonus depreciation”) during the year the property was placed in service. The Small Business Jobs Act extends the first-year 50% bonus depreciation to qualifying property placed in service in 2010.

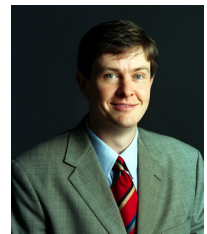
**Five-Year Carryback of General Business Credits for Eligible Small Businesses in 2010.** Usually, a business’s unused general business credits can be carried back to offset taxes paid in the previous year, and the remaining amount can be carried forward for 20 years to offset future tax liabilities. However, the Small Business Jobs Act provides that for tax years beginning in 2010, eligible small businesses can carry back unused general business credits for five years instead of just one. Eligible small businesses are sole proprietorships, partnerships, and non-publicly traded corporations with \$50 million or less in average annual gross receipts for the prior three years.

**Deductibility of Health Insurance for Self-Employment Tax Calculation.** For tax years beginning in 2010, the Small Business Jobs Act allows self-employed taxpayers to deduct the cost of health insurance they incurred for themselves (and their family members) in calculating their net earnings from self-employment.

The above is a discussion of just some of the provisions in the Small Business Jobs Act. If you have any questions regarding the Small Business Jobs Act or how these new incentives may affect your company or clients, please contact Chris Grissom (205.521.8514) or Will Thistle (205.521.8985).

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**Recent Economic Development Practice Group Honors****POSCO AAPC LLC**

We would like to congratulate our client, POSCO AAPC LLC, on the recent grand opening of its \$19 million steel coil cutting plant in McCalla, Ala. POSCO is South Korea's top steelmaker and this plant will supply automakers throughout the Southeast.

Bradley Arant Boulton Cummings LLP is pleased to have served as counsel to POSCO on many aspects of this project, including negotiating a tax incentive package with county government and subsequently representing the company regarding real estate, construction, labor and employment, and state and local tax issues.

**Hyundai Heavy Industries**

We would also like to congratulate our client, Hyundai Heavy Industries, on the recent groundbreaking for its new \$90 million large transformer manufacturing facility in Montgomery. The project is expected to create approximately 500 new jobs and will become a strong economic driver for both the region and the state.

This is Hyundai Heavy Industries' first American manufacturing facility. The company chose Alabama after a 10-month competition. During this time, Bradley Arant Boulton Cummings attorneys were closely involved in negotiations regarding tax incentives, as well as on issues involving real estate, construction, labor and employment, state and local taxes and general corporate matters.

**U.S. NEWS & WORLD REPORT RANKING**

Bradley Arant Boulton Cummings LLP has received the fourth highest number of top-tier rankings in the country in the inaugural U.S. News & World Report – Best Lawyers list of top U.S. law firms. As it has done for many years for hospitals and colleges, this year U.S. News, working with the attorney ranking company Best Lawyers in America, ranked U.S. law firms based on a number of criteria, including client satisfaction.

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